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December 5, 2001

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Ex Parte: **Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements, CC Docket No. 98-171; Telecommunications Services for Individuals with Hearing and Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Numbering Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116**

Dear Ms. Salas:

On December 4, 2001, Vin Callahan, Ed Shakin and the undersigned met with Matthew Brill of Commissioner Abernathy's office to discuss the current contribution mechanism for universal service and the effect of adopting a per-line approach. The attached material was used in the discussions.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceedings indicated above. If you have any questions regarding this matter, please call me at (202) 515-2530.

Sincerely,

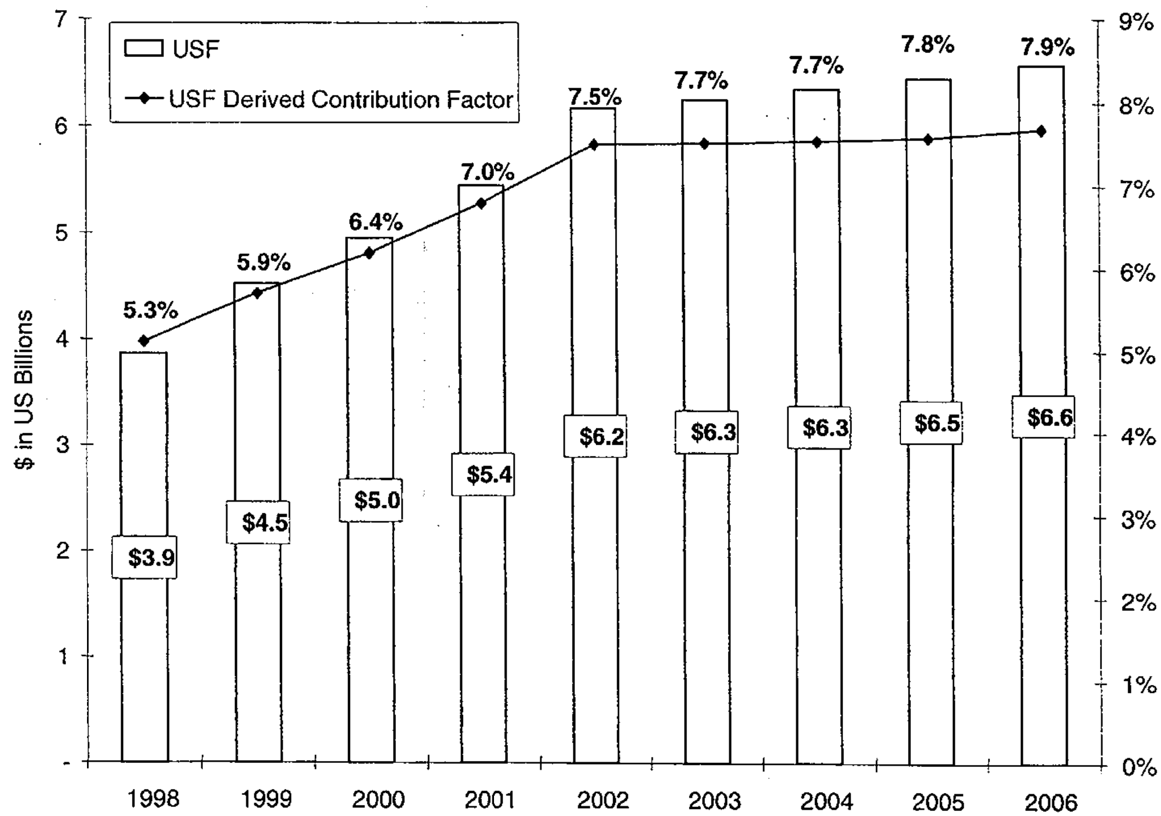
W. Scott Randolph

Attachment

cc: Matthew Brill

Using the model-generated interstate/international revenue and the independent fund forecast, we derive a contribution factor that grows to 7.5% in 2002 and remains relatively steady thereafter

USF Derived Contribution Factor



This forecast thus demonstrates that consumer contributions will remain roughly constant unless the fund size is increased with additional programs

The coalition proposal recovery mechanism leads to a shift in burden of USF recovery from the higher to the lower LD usage households

- The contribution from 50% of all US households (no and low LD usage households) will increase
- The disproportionate shifting of USF recovery is clear when you note that the high LD usage households have their recovery decrease by 53%, although they spend 12x the low usage households **and** have 34% higher income

	[illegible] Recovery Mechanism [illegible]	[illegible] Recovery Mechanism	[illegible] Monthly USF Recovery [illegible] Mechanism to [illegible] Proposal Mechanism
No LD Usage 25% of Households	$0.44	$1.07	Increases by 144%
Low LD Usage 25% of Households	$0.85	$1.06	Increases by 24%
Medium LD Usage 25% of Households	$1.49	$1.08	Decreases by 27%
High LD Usage 25% of Households	$2.43	$1.15	Decreases by 53%

Current Per-Line Proposals Are Inconsistent with the Act

- By basing the charge on the number of local lines without reference to interstate services purchased, per-line proposals are inconsistent with the 5th Circuit decision regarding assessments based on intrastate services.

- By assessing carriers without regard to the level of interstate services purchased by their customers, and by shielding some interstate carriers from any contribution at all, current per-line proposals also violate the section 254(d) requirement that every interstate carrier "shall contribute, on an equitable and nondiscrimnatory basis."

Indeed, the per-line recovery mechanism dramatically increases the household recovery for lower LD usage households which may ultimately result in consumer backlash

- The contribution from 80% of all US households (no, low, and medium LD usage households) will significantly increase with a per-line recovery mechanism
- While the contribution from the remaining 20% of all US households (high LD usage households) will decrease with a per-line recovery mechanism

	[illegible]	[illegible]	Change in [illegible]	
No LD Usage ***25% of Households***	$0.44	$1.52	↑	Increases by 245%
Low LD Usage ***15% of Households***	$0.72	$1.64	↑	Increases by 128%
Medium LD Usage ***40% of Households***	$1.41	$1.76	↑	Increases by 25%
High LD Usage ***20% of Households***	$2.59	$1.90	↓	Decreases by 27%